STATUS REPORT
FOR THE YEAR 2021

DANISH ALLIANCE FOR RESPONSIBLE PALM OIL

PREPARED FOR THE ALLIANCE BY EFECA LTD AND ETHICAL TRADE DENMARK, NOVEMBER 2022

Content

Danish Alliance for Responsible Palm Oil

Facilitated by Ethical Trade Denmark, the Danish Alliance for Responsible Palm Oil brings relevant Danish actors together in a binding collaboration to ensure progress towards responsibly produced palm oil. By participating in the Alliance, Danish companies and other stakeholders help to promote responsibly produced palm oil, and at the same time, the participants commit themselves to the Alliance's vision and obligations.

The Alliance's vision is that all palm oil imported to Denmark – both in raw form and embedded in products - is produced responsibly, including being legally produced and not contributing to deforestation or conversion of other natural vegetation. Through a joint Danish effort, it is also the Alliance's vision to contribute to continuous improvements in the responsible production of palm oil globally.

The participating companies of the Alliance commit to work to achieve the vision and disseminate information about the Alliance. In order to achieve the vision, the Alliance's business participants also make the commitment to:

1) Prepare and publish an action plan for responsible palm oil, including a time schedule. The action plan must describe the status of the company's work with responsible palm oil and describe initiatives to ensure progress towards the Alliance's vision.
2) Report progress annually to the Alliance Secretariat (confidentially).

Summary of the 2021 baseline of current progress

Despite the challenges of 2021, and the immense pressure that supply chains were (and continue to be) under, this baseline report shows that the Danish Alliance for Responsible Palm Oil has demonstrated a strong base for progress towards its vision.

With many participating companies reporting progress in increasing the certified share of their usage volumes, 85% of the Alliance's collective tonnage of reported palm oil was physically RSPO certified in 2021. This figure varies for participants in different sectors, reflecting, for example, the challenges that exist in complex derivative supply chains. The Alliance's total reported volume accounts for 40% of total Danish imports, meaning it is challenging at present to estimate the proportion of Danish imports that is responsibly sourced.

Participating companies also reported progress in communicating with suppliers, improving traceability, developing due diligence processes and engaging in efforts on the ground. However, considerable challenges remain, particularly for companies operating in complex derivative supply chains where poor traceability and lack of strong assurance of some volumes remain key issues.

The incoming EU Deforestation Regulation raises concerns in some areas for participating companies, but despite this some clear opportunities to generate positive impact have been identified. The Alliance and its participating companies will explore how it can continue developing strong partnerships to drive impact in Denmark and beyond.

Criteria for responsibly produced palm oil

The Alliance defines "responsibly produced palm oil" based on the internationally recognized framework established by the Accountability Framework Initiative and internationally recognized standards as established by the RSPO certification scheme.

Responsible palm oil production is defined by the Alliance by the following general principles:

1) Producers and actors in supply chains must drive/promote ethical business behaviour, building trust and transparency with stakeholders to ensure strong and healthy relationships, so that palm oil production contributes to sustainable development locally in collaboration with local communities.

2) Comply with relevant legislation (local, national and international).

3) Optimize productivity, efficiency, positive impacts and resilience by maintaining continuous improvement plans, procedures and systems.

4) Respect human rights and contribute positively to local communities, including respect for collective rights as well as for legal and established land rights.

5) Support the inclusion of small farmers, by including them in the supply chains and improving their livelihoods through fair and transparent partnerships.

6) Abolition of all forms of forced labour; effective abolition of child labour; abolition of discrimination in employment and occupation. There are secure working conditions, freedom of association and decent wages.

7) Protection, conservation and improvement of ecosystems and the environment. Including ensuring:

a. That the production does not contribute to deforestation or conversion of other habitats of high conservation value
b. Protection of endangered species, wetlands and wide zones, soil conditions, water and air quality, etc.

8) Responsible and safe use of agrichemicals

9) Production must be third party verified or third party certified, according to a standard that meets the above criteria.

Membership

Participants in the Danish Alliance for Responsible Palm Oil are divided into one of the following two groups:

1) Participating companies from e.g. retail, food manufacturing, cosmetics, hygiene and detergent manufacturing, animal nutrition manufacturing and the foodservice sector. Participating companies must comply with the alliance's obligations - i.e. prepare and publish an action plan and report annually on status and progress.

2) Supporting members, which include NGOs, business and industry organizations, authorities, universities, the trade union movement and the like. Supporting members are not obliged to publish an action plan, but undertake to contribute actively to achieving the Alliance's vision, including by contributing professional knowledge and work to disseminate the initiative

Ethical Trade Denmark acts as secretariat for the Alliance. The Secretariat supports the Alliance by:

- Supporting Alliance participants to achieve the vision from their different starting points through guidance, sparring, tools and sharing of good practice
- Taking stock of the Alliance's results and progress and communicating about it.
- Contributing to a nuanced Danish debate on palm oil and sustainability.
- Spreading the Alliance's vision to Danish and global stakeholders.
- Collaborating with similar initiatives in other countries as well as relevant international organizations, certification schemes and other fora.

As of September 2022, the Alliance counts the following participants:

Company participants

Dagrofa
BISCA
Beiersdorf
PERSANO GROUP
PURELY PROFESSIONAL
NOPA NORDIC ALLISON the nopa nordic family
L'ORÉAL
MIILD
coop
salling group
Toms
TBC Ingredients ApS
Danish Crown
REMA 1000 Discount med holdning!
DERMAPHARM
Henkel
LIDL
ALDI

Supporting members:

Kosmetik & Hygiejne Branchen
VKH Dansk Vask-, Kosmetik- og Husholdningsindustri | En del af DI
IWGIA
DSK De Samvirkende Købmænd
Landbrug Fødevarer
DI Dansk Industri
WWF
Ministeriet for Fødevarer, Landbrug og Fiskeri
Preferred by Nature formerly NEPCon
DANSK ERHVERV Danish Chamber of Commerce
DAKOFO Dansk Korn & Foder
VERDENS SKOVE .ORG
UDENRIGSMINISTERIET
DI Fødevarer
3F Fagligt Fælles Forbund
Miljøministeriet
CONCITO DANMARKS GRØNNE TÆNKETANK

Members’ reporting obligations

Participating companies commit to publishing an action plan for responsible palm oil, including a time schedule, which describes initiatives to ensure progress towards the vision that all palm oil imported to and used in Denmark is produced responsibly, including not contributing to deforestation or conversion of other natural vegetation. In addition, the action plan may also contain and highlight participants' initiatives and efforts that contribute to a more sustainable production of palm oil in other contexts, but which do not directly live up to the definition given above. The participants are also obliged to report once a year to the Alliance Secretariat on progress.

The reporting is confidential and completed through a questionnaire.

This report is the first of its kind, using the first questionnaire submissions provided to the Secretariat in 2022 to report on progress made by participating companies in 2021. Of the Alliance’s 19 participating companies, 17 were able to provide a complete questionnaire for use in this report, Of the two remaining participating companies, one provided a partial questionnaire response, and the other was unable to provide a response, and is no longer member of the alliance. The questionnaire responses form the basis of much of the detail in section 3 below. This report provides a baseline for the Alliance to measure its progress against, and acts as a framework for future publications to enable participants to highlight changes and measure progress over the course of subsequent years.

Denmark palm oil imports and consumption

Translated and adapted extract from the publication: ‘Monitoring of responsible and deforestation-free agricultural raw materials in Denmark 2022’. This section provides a brief overview of Danish palm oil imports. Figures are provided by the Department of Food and Resource Economics at the University of Copenhagen for the year 2021 included within this year’s publication ‘Monitoring of responsible and deforestation-free agricultural raw materials in Denmark 2022: Status of implementation of action plan against deforestation’ (IFRO, 2023).[1]

In 2021, 228,126 tonnes of palm oil products were imported to Denmark, see figure 3.2. Gross imports and exports of palm oil products have decreased since 2018, when 278,154 tonnes of palm oil were imported. This is mainly due to lower imports of refined palm oil fractions and PFAD, Palm Fatty Acid Distillate – used for biofuels, animal feed or to produce candles, soaps, other oleochemical products.

Indonesia and Malaysia accounted for 44 per cent of Denmark's total gross direct imports in 2021, and Germany and the Netherlands accounted for 28 per cent. As described in Dolmer and Bosselmann (2022a), imports from Germany and the Netherlands are re-exports from original producer countries. Taking this into account, based on Germany and the Netherlands' import countries, Danish imports in 2020 are reestimated to come primarily from Indonesia and Malaysia (79 per cent) (IFRO, 2023). It is assumed that a similar picture applies for 2021, partly because the EU's import pattern has not changed significantly over the two years.

It is estimated that 66 per cent of Danish imports in 2020 were either covered by RSPO credits or purchased in mass balance or as segregated palm oil.

Table 3 shows the volume of RSPO credits, mass balance, segregated and IP among 28 Danish companies and two foreign companies with activities in Denmark. In total, consumption in Denmark in 2021 was 176,491 tonnes (including credits). This corresponds to 77 percent of the Danish gross import of 228,126 tonnes of palm oil products.

However, the share that is responsibly produced and deforestation-free is smaller. Mass balance is a mix of certified and non-certified palm oil, which can be in different ratios, while the purchase of credits supports an equivalent volume of responsible and deforestation-free production without the imported physical goods necessarily being so. If we assume that the mass balance volume is made up of equal parts certified and conventional palm oil, a total of 127,028 tonnes are responsibly produced and deforestation-free, corresponding to 56 percent of Danish gross imports. Here we compare with gross imports, as exports are to a significant extent made up of imported raw materials that are processed in Denmark. This is an estimate with uncertainties.

Alliance participating companies' reporting and progress

This section provides an overview of participating companies' self-reporting for this baseline report, focusing on a) company action plans, including on scope, time-bound objectives, verification and certification, b) progress achieved in 2021, both from a quantitative and qualitative perspective, and c) reported challenges and gaps.

Action plans

Of the Alliance's 19 participating companies, 18 have published public action plans – 16 of these have a timebound objective in line with the vision of the Alliance (a goal of sourcing palm oil responsibly). A further two participating companies have made commitments to remove palm oil from their products; it is unclear from their action plans whether this decision has been made for technical reasons, for example if an alternative is considered to be more technically suitable for their products, or for sustainability reasons. If the latter, it is important that the sustainability implications of an alternative are fully considered. Finally, one participating company has not made their own commitment because they follow the policies of their customers and suppliers.

Scope

The scope describes the part of the companies' business activities being covered by the action plans and their targets. Each company has defined the scope of its own policy and action plan when setting their targets. Scope has been defined in a number of ways by the participating companies, with some including use of all palm products in their scope, others including own-brand products only (in the case of some retailers, for example) and others applying different commitments to food and non-food products. Many commitments are time-bound to 2025 (or in some cases earlier), whilst in some instances the target year for completion of a target varies between application to food and non-food uses (with non-food targets often later), reflecting the greater challenges experienced by many in derivative or oleochemical supply chains.

Of the 17 complete questionnaire submissions, 13 stated that they knew how large a share of their total palm oil consumption was included within their scope, with 10 of those companies stating that this share stands at 100% (a further two stated 95%). This suggests that participant companies have strong visibility over where and how palm oil is used in their supply chains.

Verification and certification

All respondent participating companies use third party certification as a tool for verification and assurance, with RSPO the main certification standard used by businesses in Denmark (and other consumer countries). The types of certified supply chain model used by participating companies vary between Identity Preserved, Segregated, Mass Balance and credits,[4] with the breakdown and some of the drivers behind this variation described below.

2021 – a base for progress

This baseline report shows 13 companies have made demonstrable progress in different areas, as outlined in '*Qualitative progress achieved in 2021*' below.

For this year's report, Alliance participating companies provided data on:

- Volumes of palm oil, palm kernel oil, palm kernel expeller, and fractions and derivatives certified by the RSPO, in addition to numbers of RSPO credits claimed to cover use of conventional volumes.
- Qualitative information on actions taken to ensure progress towards the Alliance vision.

Quantitative progress achieved in 2021

The total volumes of each palm product reported by participating companies for 2021 are presented in table 3 below. This shows that the volumes reported are split roughly half and half between palm oil and fractions and derivatives, with a very small volume of palm kernel oil, and no palm kernel expeller volumes, reported by companies. It has not been possible for several of the international companies to calculate or estimate their Danish share of palm oil consumption, which is why this is excluded in these volumes. The members and the alliance will work to find a solution or model for this in the future.

Table 4 and Figure 1 below show RSPO certified volumes reported by participating companies, broken down into types of certified supply chain model, alongside conventional and unknown volumes.

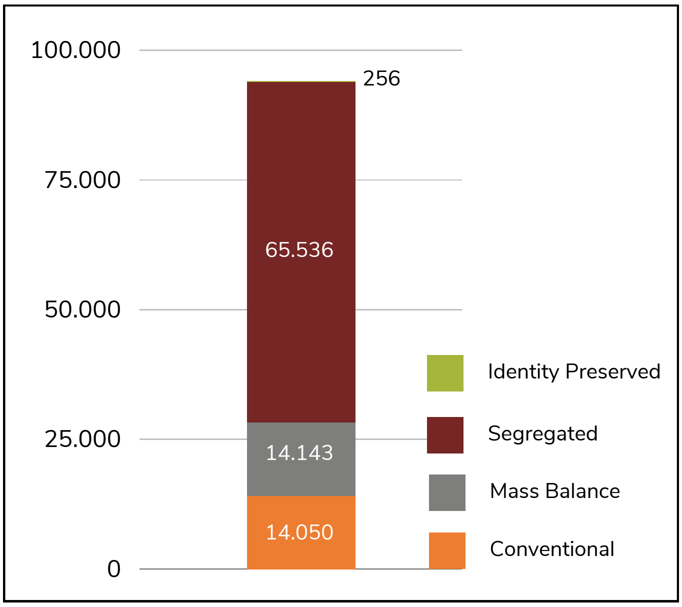
Table 3: Volumes imported per palm oil products reported by participating companies in 2021.

Palm product	Total volume (ton)	Proportion
Palm oil	46,735	49.5%
Palm kernel oil	553	1%
Palm kernel expeller	0	0%
Fractions and derivatives	46,738	49.5%
Total	**94,026**	

Table 4: Volumes of conventional and RSPO certified palm products reported by participating companies in 2021. See further decription at page 13 [5][6]

	Total volume (ton)	Proportion
Certified status unknown	38	<0.5%
Conventional	14,050	15%
RSPO credits	3	<0.5%
Mass Balance	14,143	15%
Segregated	65,536	70%
Identity Preserved	256	<0.5%
Certified palm oil total (including credits)	**94,026**	

Figure 1: Conventional and certified volumes reported for 2021.



This data shows that 85% of the total volumes reported by participating companies are certified as RSPO Segregated (70%) or Mass Balance (15%).

The remaining 15% of reported volumes are conventional, although small volumes of Identity Preserved, credits and unknown status are also included in the overall composition (but are excluded from figure 1 due to their negligible size). It should be noted that a large proportion of the participating companies' combined certified volume was reported by a single company.

These results may include a certain level of double counting throughout the supply chain – for example, some certified volumes (and credits) may be counted twice, due to the fact that claims are passed down the supply chain. Notwithstanding the potential limitations of the methodology used here, it does provide a useful way to collectively estimate a baseline for progress to be assessed against.

A more detailed look at the most voluminous palm products reported by participating companies – palm oil and fractions and derivatives – shows variation in certified volumes of each. As displayed in figure 2, 88% of reported palm oil volumes are RSPO Segregated, compared to 51% of fractions and derivatives. In addition, fractions and derivatives volumes are composed of higher proportions of Mass Balance (23%) and conventional (26%) material than palm oil (7% and 4% respectively).

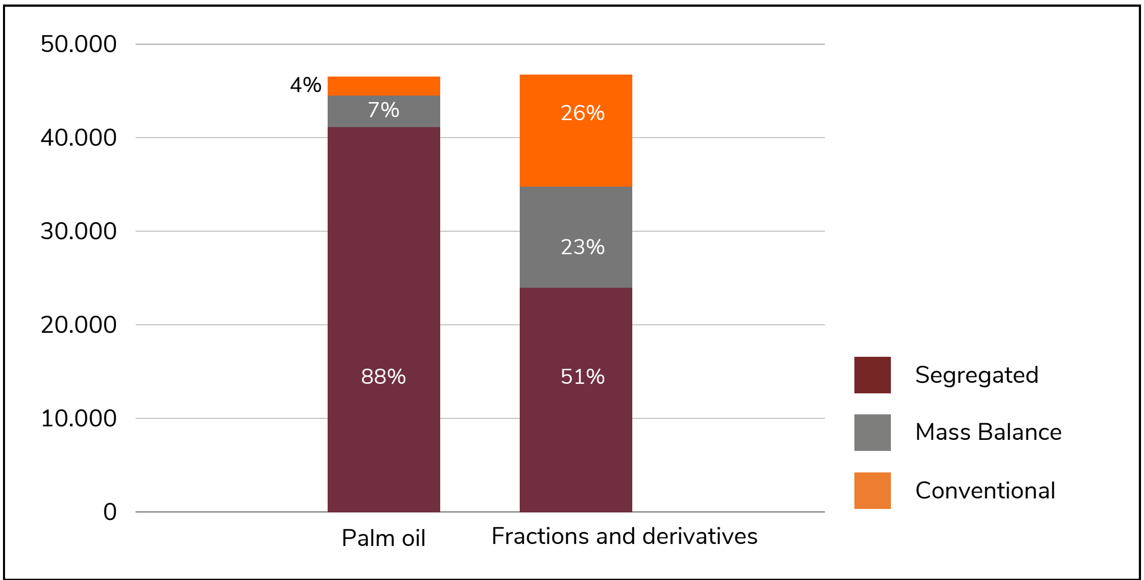
These figures show that, although overall 85% of the Alliance's reported volume is physically RSPO certified, some companies are at a very different stage of the sustainable sourcing conversation to others.

The contingent of the Alliance that represents the oleochemical sector, a key user of fractions and derivatives, faces unique challenges around traceability and assurance due to the complexity of oleochemical and derivative supply chains. Whilst those in the food sector have strong access to supply chains of sustainable palm oil (certified or under another form of assurance) with strong traceability, many companies using derivatives are at the stage of trying to map out where their supply chains can be traced back to, with Segregated supply chains not readily available.

76% of the Alliance's total Mass Balance volume, and 85% of the total conventional volume, can be attributed to fractions and derivatives. This reflects challenges that these companies may face in sourcing certified (especially Segregated) fractions and derivatives, and the importance therefore of Mass Balance supply chains, with both of these themes explored in more detail later in this report.

Overall, considering the total volumes reported by participating companies, the Alliance has visibility of 40% of the total volume of Danish imports reported in section 2. IFRO estimates that the certified volumes across the Danish import, amounts to 77 % (credits, mass balance and segregated). Bosselmann, A. S., & Dolmer, S. E. N. (2023). Whilst this report is able to show a baseline of progress in responsible sourcing for Alliance participants, it is clear that more companies operating in the Danish market need to be engaged to develop a clearer picture of Denmark's progress as a whole.

Figure 2: Comparison of certified volumes of palm oil with fractions and derivatives.



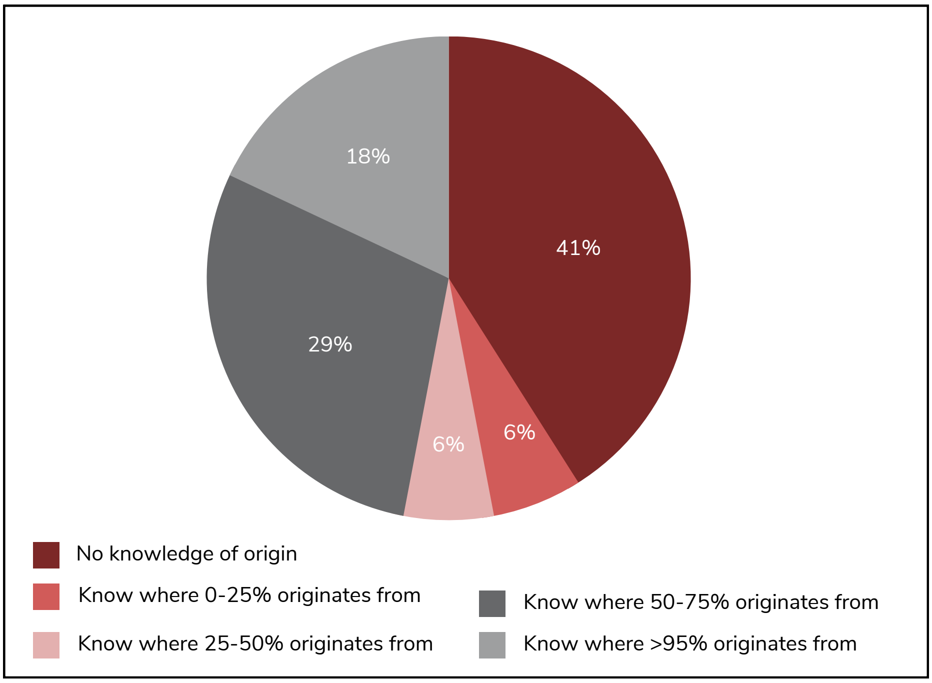
Palm oil origin

In addition to the certification status of volumes within their scope, participating companies also reported on their awareness of the origin of the palm oil they used in 2021. This reveals a varied level of knowledge of volume origin, with half of companies knowing where at least 50% of their volumes had originated from, alongside 41% who reported having have no knowledge of origin at all.

When considering the composition of the Alliance's group of participating companies, this could reflect that sector-specific challenges faced by different members of the group. Several participating companies operate within the home and personal care sector, engaged in highly complex oleochemical supply chains to source palm fractions and derivatives. The complex nature of this sector means it is characterised by a lack of transparency and traceability when compared to, for example, the food sector – and this could be reflected by the level of knowledge that some Alliance participating companies have of the origin of their palm oil volumes.

Of those participating companies that know where at least some of their palm oil originates from, one company stated that they source primarily from Indonesia, with the rest stating that they source primarily from both Indonesia and Malaysia. In addition, some stated that they also source palm oil from Latin America (e.g. Colombia), Africa, Papua New Guinea and Thailand.

Figure 2: Members' own estimates of palm oil origin awareness, as the share of their palm oil consumption, within scope.



Qualitative progress achieved in 2021

All participating companies reported making demonstrable progress towards the vision of the Alliance in 2021 in different areas, including:

Increasing certified share of usage volumes

- 14 participating companies – over three quarters of participating companies who submitted a completed questionnaire – reported progress in this area, or reported that they had already reached 100% use of CSPO in their scope. Progress was reported in different ways, with some taking the step from sourcing conventional to Mass Balance certified palm oil, and others moving on to Segregated volumes from Mass Balance. This highlights the importance of these different chain of custody models for providing a framework for progress, with Mass Balance supply chains enabling companies to transition from conventional to fully certified, segregated supply chains. By making progress in this way, companies are able to gain greater visibility and assurance over their supply chains as they transition through chain of custody models according to their business goals.

Engagement with suppliers

- 11 participating companies reported that they have been engaging with suppliers to communicate about their policy, make progress with mapping out their supply chains, and liaise constructively on grievances. Communication with suppliers is essential for inclusive implementation of a sustainable sourcing plan, and is also important for enabling data sharing and encouraging shared responsibility throughout the supply chain. Some companies are engaging with suppliers collectively (as well as individually) through external industry groups, for example some of those who are part of the oleochemical sector are members of the Action for Sustainable Derivatives, an initiative working with the sector to advance traceability of derivative supply chains.

Improving traceability

- Connected to the theme of supplier engagement, five participating companies reported progress on mapping out of derivative supply chains. This is a key challenge that is shared across global markets due to the complexity of these supply chains – for example, a single product like a shampoo may contain several palm-based derivatives or oleochemicals, each of which would have gone through a multi-stepped process of refining and production in different supply chains, possibly in different countries. So, particularly when looking at a product-level, achieving traceability back to origin is a considerable challenge, and one that Alliance participating companies are making progress on by speaking to their suppliers and mapping out their supply base.

Developing due diligence processes

- With the EU developing new regulatory measures designed to require companies to prove the commodities they use, like palm oil, are not linked to deforestation, some are taking steps to develop their due diligence processes and procedures now. Four participating companies reported that they have taken action in this area – see '*Reported challenges and gaps*' below where the concerns and opportunities highlighted by participating companies about the incoming regulations are summarised.

Engagement on the ground

- Four participating companies reported that they are engaged in efforts on the ground, including working on or contributing to projects in Indonesia, Malaysia or both. Examples include the FONAP project in Indonesia "From Sustainable Palm oil to Sustainable Landscape"[7], and the 'SPOTS' (Sustainable Palm Oil & Traceability with Sabah small producers) project in Beluran district of Malaysia aiming to support 500 independent small palm oil producers.

> ***Malaysia and Indonesia are the largest producers of oil palm with 87% of the world production. It too often lead to land grabbing and deforestation of indigenous peoples lands in both countries.***
> ***It is important to monitor certified companies, halt further deforestation and support indigenous smallholders. Even more, it is key to support constructive multi-stakeholder dialogue among states, NGOs, and corporations to enhance awareness and sharpen understanding of Free Prior and Informed Consent (FPIC), encourage states to incorporate FPIC legislation, and build capacity for its implementation.***
>
> **- Genevieve Rose**
> **IWGIA**

Reported challenges and gaps

Members were asked to identify challenges in working towards the goal of achieving 100% responsible palm oil in Denmark. The following key areas were identified:

Current operating context

- Members highlighted a difficult operating environment over 2021 with supply chain shocks on various commodities including palm oil leading to cost and availability issues. Events in 2022, including the war in Ukraine, increases in energy prices and inflationary pressures will continue to present a challenging backdrop to Alliance members' actions on responsible palm oil. Some participating companies reported their concerns around suppliers switching to palm as a result of shortages of other vegetable oils (most notably sunflower oil) due to the war in Ukraine, and not having the awareness of how to source it sustainably.

Uncertainty around upcoming changes in regulations

- Primarily the development of the EU due diligence proposal for regulating forest-risk commodities (EU Deforestation Regulation), see textbox below. Overall, Alliance participating companies perceived this emerging regulatory requirement as a good opportunity, as highlighted below in section 4. However, concerns were also identified, including that:
    - The current proposal for a 'geolocation' approach to traceability requirement (i.e. GPS location) is perceived as being particularly challenging for certain sectors. For example, the level of transparency and traceability in oleochemical supply chains, as highlighted already, is not as advanced as in other sectors, meaning that some may be under greater pressure than others depending on the nature of their industry.
    - Linked to the above, participating companies also highlighted the potential administrative burden associated with the regulation, for example if additional systems of data collection and sharing need to be developed.
    - Some participating companies are reliant on a Mass Balance chain of custody model to source CSPO, in particular those that are part of complex derivative supply chains where segregation remains a key challenge. With Mass Balance volumes containing a conventional element, there is concern as to the information available to downstream supply chain actors on whether assurance of legality and deforestation-free status can be provided. The RSPO is working currently to address these concerns about the robustness of the Mass Balance system by reviewing how it can be strengthened.

EU Deforestation Regulation

In May 2023 the European Council adopted the deforestation regulation that aims to minimise the risk of deforestation and forest degradation associated with products that are placed on or exported from the EU market. (Det Europæiske Råd, 2023)

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The Danish Chamber of Commerce is looking forward to EU legislation on deforestation, which we see as the only way to address the massive challenges with global deforestation.
However, the legislation is not perfect and might impose European businesses large financial and administrative burdens, e.g. geolocation and double due diligence requirements. Ethical Trade Denmark is a suitable forum for knowledge sharing and we look forward to discuss benefits as well as disadvantages in the legislation.

- Anders Kroman Liin
Danish Chamber of Commerce

Traceability of derivative supply chains

- Connected to the possible issues associated with the assurance provided by Mass Balance, traceability of derivative supply chains seems to be the most challenging area for many participating companies in the Alliance. As already highlighted in '*Qualitative progress achieved in 2021*', progress is being made in this area, but it remains a significant challenge, with progression from MB to SG proving difficult, and availability of Segregated derivatives lacking. Concerns remain about how greater traceability will be driven, with one participating company reporting a supplier saying they will only move to Segregated products when the market is ready.

Negative perception among consumers

- Communication to consumers is a common challenge across different consumer markets, with negative media attention and marketing of a palm oil-free message prominent across Europe in particular. The lack of a balanced narrative – one that both recognises the negative impact that conventional oil palm production has had, and highlights the vital role that sustainable palm oil plays in benefiting wildlife, people and the planet – means that negative perception of palm oil amongst consumers is rife, possibly impacting the progress of the Alliance's participating companies.

Future opportunities for the Alliance

The role of the Alliance in providing a place for different stakeholders to work together on common issues towards a shared goal of responsible palm oil is valued amongst members.

This baseline report shows that some progress has been made in providing assurance of use of sustainable palm oil and engaging with suppliers to map out and increase visibility over supply chains, but challenges do remain particularly in developing traceability to the extent required by upcoming regulation, and in continuing to progress towards goals whilst under immense pressure due to current events.

But where gaps remain, opportunities arise to address them, and the reports of participating companies have highlighted a number of opportunities for future focus.

The EU Deforestation Regulation was highlighted as presenting some valuable opportunities, for example with some mentioning that it could help to strengthen certification and production practices more generally (raising the base), as well as placing greater focus on the issue of deforestation. It was also suggested that the upcoming regulations could provide an opportunity for streamlined reporting, and act as an effective 'stick' to force companies to make progress on the demand side. Finally, the traceability requirements of the regulation could help advance traceability and knowledge of supply chains. From these responses and suggestions, there appears to be a strong perception that the regulation can provide support to the Alliance in achieving its vision.

Furthermore, responses of many participating companies highlighted the importance of carbon emissions as a sustainability metric linked to commodity production. Almost half of the Alliance's participating companies reported that they are using Science Based Targets (SBTs) or Net-Zero SBTs (under the Science Based Targets initiative – SBTi), which shows that the carbon footprint of commodities including palm oil is becoming an increasingly prominent issue.

The use of palm oil as a direct or embedded ingredient falls under companies' scope 3 emissions and, with the new FLAG (Forest, Land and Agriculture) Science Based Target Setting Guidance launched on 28th September 2022, it is expected that this will become an increasingly important part of members' work on responsible palm oil, and therefore a good opportunity for collaboration for the Alliance and its membership.

In addition, key opportunities lie in working towards the Alliance's vision to not only ensure a responsibly sourced supply of palm oil to Denmark, but to also contribute to continuous improvements in the responsible production of palm oil globally. This includes the potential for participating companies, in alignment with their work to develop sustainable supply chains in Denmark, to use their global influence to encourage positive change beyond Denmark's borders in other consumer and producer markets. This could be by implementing policies consistently across markets, and also by working directly with producers to support a positive transition on the ground to sustainable production – something that a number of Alliance participating companies are already working towards, for example by working as part of landscape or smallholder projects. The combined approach of mapping out supply chains, sourcing sustainably and acting on the ground is highlighted in the most recent European palm oil monitoring report, which provides guidance to companies in approaching these different action areas.[9]

The challenges of taking a solely top-down approach to sustainable sourcing have been highlighted in this report, including issues with gaining full visibility and traceability in supply chains. It is clear therefore that demand-side markets cannot act alone – approaches that are carried out in combination with efforts on the ground have the greatest potential to drive the palm oil industry further towards making sustainability the norm.

References and comments

1) https://static-curis.ku.dk/portal/files/340546716/IFRO_Udredning_2023_04.pdf

2) The majority of this total volume is composed of palm oil, fractions and PFAD.

3) Calculation based on Callesen et al. (2020) and data from UN Comtrade.

4) https://www.rspo.org/certification/supply-chains

5) Includes crude and refined palm oil and palm kernel oil, palm kernel expeller and derivatives and fractions.

6) Note that there is a risk of double counting of volumes presented here, as they have been reported by participating companies that operate at different levels of the supply chain.

7) https://www.forumpalmoel.org/fonap-project-indonesia

8) https://www.mightyearth.org/2022/09/13/european-parliament-votes-for-new-deforestation-law/

9) https://www.idhsustainabletrade.com/uploaded/2022/09/Palm_Oil_Report_16102022_edited_final.pdf

DANISH ALLIANCE FOR RESPONSIBLE PALM OIL

Ethical Trade Denmark (2008) is the unifying platform for companies and organizations working for responsible trade and sustainable development. We strengthen knowledge and cooperation on social responsibility and sustainability in global value chains because trade must respect human rights and take into account the environment and climate. Ethical Trade Denmark is behind the Knowledge Center for Sustainable Value Chains, the Academy for Ethical Trade, member networks and several multi-stakeholder partnerships and alliances.

The organization was established in 2008 as a membership organization of business, trade unions and civil society organizations to strengthen knowledge, action, and cooperation on responsible and sustainable global trade. Today, its membership includes more than 100 companies, trade unions, business and industry organizations, civil society organizations, public institutions, municipalities, and foundations.

PREPARED FOR THE ALLIANCE BY EFECA LTD AND ETHICAL TRADE DENMARK, NOVEMBER 2022

efeca economics climate environment

ETHICAL TRADE DENMARK